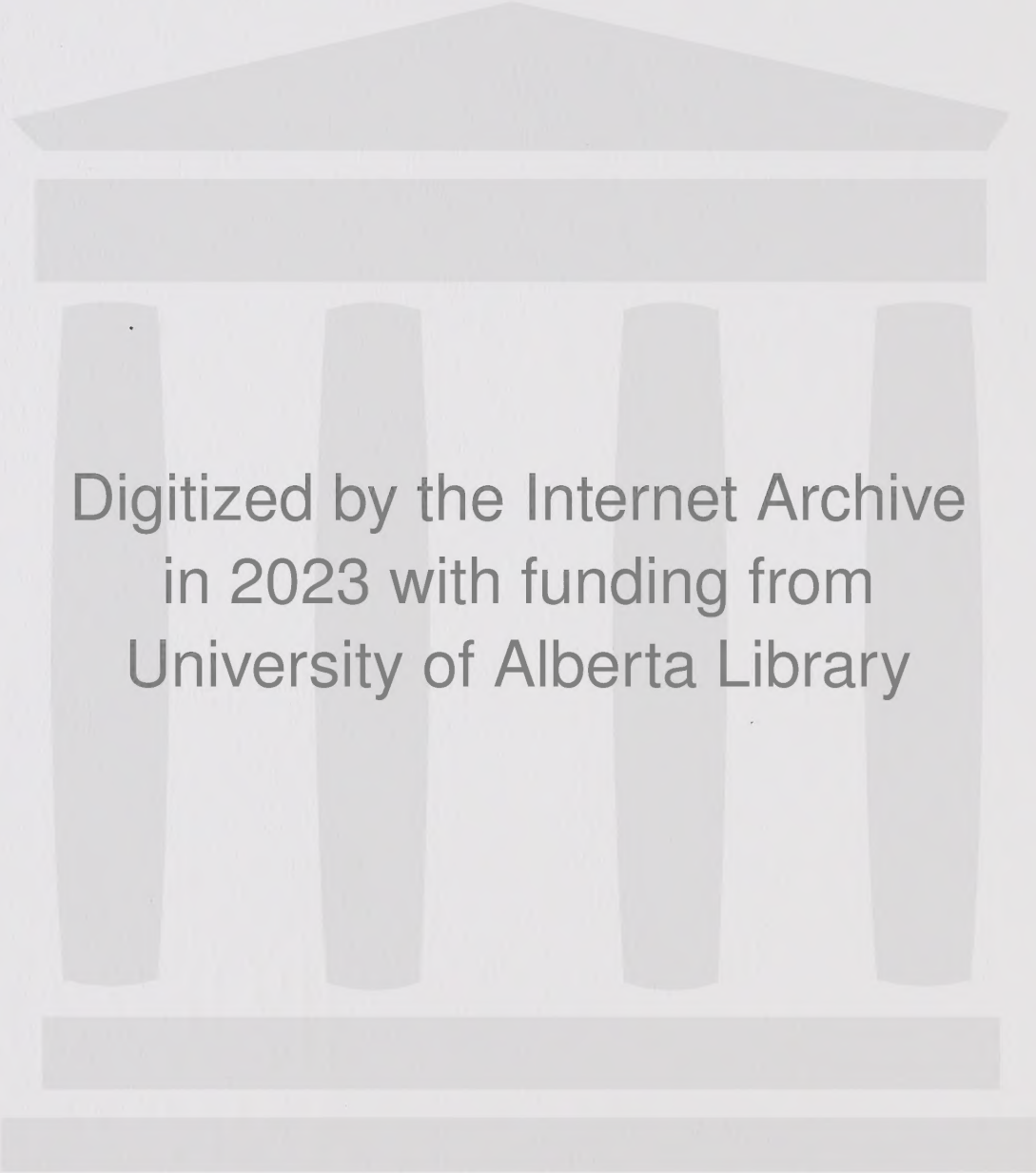


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Peoples⁺
1970
ANNUAL
REPORT

PEOPLES CREDIT JEWELLERS LIMITED



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PEOPLES CREDIT JEWELLERS LIMITED

directors

BERTRAND GERSTEIN, chairman

MARVIN GERSTEIN

IRVING R. GERSTEIN

officers

BERTRAND GERSTEIN
chairman of the board

MARVIN GERSTEIN
president

IRVING R. GERSTEIN
executive vice-president

JAMES T. RODDY
vice-president, finance & treasurer

JAMES A. HENRY
vice-president, operations

DAVID LEVINE
president, Mappin's Limited

G. B. EISENBERG
*vice-president, corporate
development*

IRWIN KOFFMAN
secretary

head office

181 YONGE STREET, TORONTO, CANADA

transfer agent

CANADA PERMANENT TRUST COMPANY,
1901 YONGE STREET, TORONTO, CANADA

PEOPLES CREDIT JEWELLERS LIMITED

EIGHTY-NINE STORES AS AT JANUARY 31, 1971

	<u>P.C.J.</u>	<u>Mappin's</u>	<u>MacKenzie's</u>	<u>Leased Departments</u>	<u>Coronet Card Shops</u>
BELLEVILLE				1	
BRAMPTON	1				
BURLINGTON	1	1			
CALGARY	1		2		
CLARKSON	1				
EDMONTON	7				1
HALIFAX	2				
HAMILTON	2				1
KINGSTON	2				
LETHBRIDGE	1		1		
LONDON	1			1	
MONCTON	2				
MONTREAL	9	2			
MOOSE JAW	1		1		
NANAIMO	1				
NEW WESTMINSTER	1				
OAKVILLE	1				
OTTAWA	2			2	
PETERBOROUGH	1			1	
PRINCE ALBERT			1		
REGINA	1		2		
SARNIA	1				
SASKATOON	2	1			1
THUNDER BAY		2*			
TORONTO	4			2	2
VANCOUVER	4	2			
VICTORIA	1				
WELLAND				1	
WINDSOR	3	1			1
WINNIPEG	5				1
TOTAL	<u>58</u>	<u>9</u>	<u>7</u>	<u>8</u>	<u>7</u>

* Operated under the name of Birks Stitt Credit Jewellers

PEOPLES CREDIT JEWELLERS LIMITED

DIRECTORS' REPORT TO THE SHAREHOLDERS

The accompanying Financial Statements of your Company for the year ended January 31st, 1971, are submitted on behalf of the Board of Directors. Sales for the year were \$25,509,502 almost identical with those of the previous year. Net Income for the year before an extraordinary item was \$728,158 equivalent to 92¢ per share as compared with \$1,010,076 or \$1.31 per share the year previous. Extraordinary Income resulting from the gain on the disposal of property owned but not used in the operation of its business affairs amounted to \$395,125. Net Income for the year including the extraordinary item was \$1,123,283 or \$1.45 per share. Dividends declared upon the Capital Stock of the Company during 1970 were 10¢ quarterly for a total of 40¢ per share on both the outstanding Class "A" and Common Shares. Working Capital during the year increased \$397,742 to \$9,316,507. As usual the greater part of the earnings has been retained for investment and further development of the Company.

Shareholders may recall from the quarterly reports provided that our Net Income before provision for Income Taxes for the first quarter compared unfavourably in the amount of \$232,000 with the first quarter of the year previous. The second quarter compared unfavourably in the amount of some \$315,000 with the same quarter of the previous year. Needless to say Management recognized the need of very careful analysis and control of our expense structure with particular attention to improving the efficiency of our operations. Our third quarterly report indicated that we were able to reduce our unfavourable comparison with the same period for the year previous to \$138,000, while the fourth quarter produced a favourable comparison of \$139,000 not including the extraordinary item. I am happy to be able to report that the trend of the second half of the year has been continued and the first two months of our current fiscal year show a very substantial improvement over the year previous, which will be reflected in our first quarterly report for this year.

During the year we continued our policy of expansion. Seven traditional Peoples Credit stores were opened in Shopping Centres in Saskatoon, Windsor, Winnipeg, Edmonton, Kamloops, Lethbridge and Hamilton. Mappin's continued its program of expansion by opening two stores in Shopping Centres in Saskatoon and Windsor, and four Coronet Card shops were opened in Saskatoon, Windsor, Winnipeg and Edmonton. Thus a total of thirteen new stores were opened during the year. However, the Company closed six leased departments in so called Discount Department Stores and two other stores, for a net increase during the year of five to bring our total as of January 31, 1971 to 89.

Already this year we have opened traditional Peoples Credit stores in Sherway Gardens in Toronto and in Red Deer, Alberta, and we are committed to open three more this Fall in Shopping Centres in Calgary, Kelowna and Belleville and are negotiating for a Mappin's store on Bloor Street in Toronto.

Subsequent to the year end your Company entered into a joint venture with Regtor Investments Limited a subsidiary of the Toronto-Dominion Bank by selling to them a half interest in a property owned by the Company. For this half interest the Company received \$300,000 being fifty percent of the original cost. The purpose of the joint venture is ultimately to redevelop the property and erect a major office building. It is the hope of Management that this will be but the first in a program of redevelopment of key downtown properties owned by the Company.

Although the financial results for the year ended January 31st, 1971 are most disappointing to Management, the impact of our experience in the first half of the year was such as to cause us to turn our attention internally rather than to use external economic conditions as an excuse for our performance. The improvement that followed in the third and particularly in the fourth quarter, and our experience during the first two months of the current fiscal year affords us a great deal of satisfaction and makes us confident that the current year will show a very substantial increase in Net Income from operations.

Respectfully submitted on behalf of the Board.

BERTRAND GERSTEIN,
Chairman of the Board.

Toronto, June 14th, 1971.

PEOPLES CREDIT

(Incorporated under the laws of the State of New York)

and Subsidiaries

CONSOLIDATED BALANCE SHEET

with comparative figures for the year ended December 31, 1970

ASSETS		1971	1970
CURRENT ASSETS			
Cash		\$ 89,213	\$ 70,651
Accounts receivable (note 2)		7,456,121	8,228,892
Merchandise, valued at cost or market, whichever is the lower		7,341,619	5,978,712
Prepaid expenses		108,240	81,396
TOTAL CURRENT ASSETS		14,995,193	14,359,651
OTHER			
Notes receivable from shareholders (note 4)		1,156,496	1,264,267
FIXED ASSETS — at cost			
Buildings		3,219,070	3,320,012
Furniture and fixtures		4,223,062	3,818,278
Automobiles		82,922	99,701
		7,525,054	7,237,991
LESS: Accumulated depreciation		4,093,311	3,921,542
		3,431,743	3,316,449
Land		2,064,657	2,365,273
Leasehold improvements, at cost less amortization		592,665	499,265
TOTAL FIXED ASSETS		6,089,065	6,180,987
On behalf of the Board			
Bertrand Gerstein, <i>Director</i>			
Marvin Gerstein, <i>Director</i>			
		<u>\$22,240,754</u>	<u>\$21,804,905</u>

(the accompanying notes are a part of this financial statement)

WELLERS LIMITED

(In Canadian dollars)

Companies

AS AT JANUARY 31, 1971

figures for 1970

LIABILITIES

CURRENT LIABILITIES	1971	1970
Bank indebtedness (note 2)	\$ 3,413,415	\$ 3,289,063
Accounts payable	1,328,950	1,372,277
Income and other taxes payable	610,908	279,977
Dividends payable	74,527	74,527
Instalments on long-term debt due within one year	250,886	425,042
TOTAL CURRENT LIABILITIES	5,678,686	5,440,886
DEFERRED INCOME TAXES	147,400	85,500
LONG-TERM DEBT (note 3)	2,673,614	3,301,995

SHAREHOLDERS' EQUITY

CAPITAL STOCK

AUTHORIZED:

	SHARES
6% cumulative redeemable first preferred shares, each of \$100 par value	12,102
4% non-cumulative redeemable second preferred shares, each of 10¢ par value	10,000,000
Class "A" non-voting, participating shares without nominal or par value	750,000
Common shares without nominal or par value	375,000

ISSUED:

6% first preferred (note 4) (1970—7,886)	7,737	773,700	788,600
Class "A" shares	521,370	1,667,663	1,667,663
Common shares	223,900	84,233	84,233
		2,525,596	2,540,496

RETAINED EARNINGS

TOTAL SHAREHOLDERS' EQUITY

11,215,458	10,436,028
13,741,054	12,976,524
<u>\$22,240,754</u>	<u>\$21,804,905</u>

egral part of these statements)

PEOPLES CREDIT JEWELLERS LIMITED

and Subsidiary Companies

CONSOLIDATED STATEMENT OF INCOME FOR THE YEAR ENDED JANUARY 31, 1971

with comparative figures for 1970

	1971	1970
Sales	\$25,509,502	\$25,566,148
<i>Deduct:</i>		
Cost of merchandise sold and all other expenses except those listed below	23,008,079	22,603,372
Depreciation and amortization	385,982	328,781
Interest on long-term debt	223,861	233,727
Interest on bank indebtedness	289,322	251,192
	<u>23,907,244</u>	<u>23,417,072</u>
INCOME before provision for income taxes and extraordinary item	1,602,258	2,149,076
Provision for income taxes	874,100	1,139,000
INCOME before extraordinary item	<u>728,158</u>	<u>1,010,076</u>
Gain on sale of property	<u>395,125</u>	—
NET INCOME for the year	<u>\$ 1,123,283</u>	<u>\$ 1,010,076</u>
Earnings per Class "A" and Common share:		
Income before extraordinary item	<u>\$.92</u>	<u>\$1.31</u>
Net income for the year	<u>\$1.45</u>	<u>\$1.31</u>

CONSOLIDATED STATEMENT OF RETAINED EARNINGS FOR THE YEAR ENDED JANUARY 31, 1971

with comparative figures for 1970

	1971	1970
RETAINED EARNINGS — beginning of year	\$10,436,028	\$ 9,900,117
<i>Add:</i>		
Net Income for the year	<u>1,123,283</u>	<u>1,010,076</u>
	<u>11,559,311</u>	<u>10,910,193</u>
<i>Deduct:</i>		
Dividends — preferred shares (note 4)	45,745	45,707
— class "A" shares	208,548	207,991
— common shares	89,560	89,560
Excess of the cost of the shares of subsidiary over the net tangible assets at date of acquisition	—	130,907
	<u>343,853</u>	<u>474,165</u>
RETAINED EARNINGS — end of year	<u>\$11,215,458</u>	<u>\$10,436,028</u>

(the accompanying notes are an integral part of these statements)

PEOPLES CREDIT JEWELLERS LIMITED

and Subsidiary Companies

CONSOLIDATED STATEMENT OF SOURCE AND APPLICATION OF FUNDS FOR THE YEAR ENDED JANUARY 31, 1971

with comparative figures for 1970

	1971	1970
Funds were provided from:		
Operations:		
Net income for the year	\$ 728,158	\$ 1,010,076
Add: Expenses which do not require an outlay of funds:		
Depreciation and amortization	385,982	328,781
Deferred income taxes	66,900	47,500
	<u>1,181,040</u>	<u>1,386,357</u>
Issue of Class "A" shares	—	934,946
Mortgages on purchase of real property and notes issued on acquisition of subsidiary	—	630,024
Working capital on acquisition of subsidiary	—	350,557
Payments on notes due from shareholders	107,771	16,983
Proceeds on sale of property	750,000	—
TOTAL FUNDS PROVIDED	<u>2,038,811</u>	<u>3,318,867</u>
Funds were applied to:		
Purchase of land and buildings	—	725,000
Purchase of other fixed assets (net)	653,935	555,549
Notes receivable from shareholders	—	795,000
Investment in subsidiary	—	675,000
Reduction of long-term debt	628,381	437,646
Dividends	343,853	343,258
Redemption of first preferred shares	14,900	63,900
TOTAL FUNDS APPLIED	<u>1,641,069</u>	<u>3,595,353</u>
Increase (decrease) in working capital	397,742	(276,486)
Working capital — beginning of the year	8,918,765	9,195,251
Working capital — end of the year	<u>\$ 9,316,507</u>	<u>\$ 8,918,765</u>

(the accompanying notes are an integral part of these statements)

AUDITORS' REPORT

To the Shareholders
Peoples Credit Jewellers Limited

We have examined the consolidated balance sheet of Peoples Credit Jewellers Limited and its subsidiary companies as at January 31, 1971, and the consolidated statements of income, retained earnings and source and application of funds for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion these consolidated statements present fairly the financial position of the companies as at January 31, 1971, and the results of their operations and the source and application of their funds for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Toronto, Canada
May 13, 1971

Clarkson, Gordon & Co.
Chartered Accountants

PEOPLES CREDIT JEWELLERS LIMITED

and Subsidiary Companies

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

JANUARY 31, 1971

1. CONSOLIDATION

The accompanying consolidated statements include the accounts of all subsidiaries.

2. ACCOUNTS RECEIVABLE

Accounts receivable have been pledged as security for bank indebtedness and are shown net of the following:

	1971	1970
Allowance for doubtful accounts	\$ 444,000	\$ 469,000
Unearned service charges	\$ 353,000	\$ 361,000

3. LONG-TERM DEBT

	1971	1970
6.25% Debenture due June 30, 1981 repayable in annual instalments of \$245,000	\$2,720,000	\$2,965,000
7.50% Note Payable	—	481,542
7.25% — 9.25% Mortgages Payable due 1984 to 1986	204,500	280,495
	2,924,500	3,727,037
Less current instalments included in current liabilities	250,886	425,042
	<u>\$2,673,614</u>	<u>\$3,301,995</u>

Amounts due on repayment of long-term debt in each of the next five years are as follows: 1971 — \$250,500, 1972 — \$251,000, 1973 — \$251,500, 1974 — \$252,000, 1975 — \$252,700.

The Debenture is secured by a floating charge on the Company's properties. Under the agreement securing the Debenture, there are various restrictions affecting the payment of dividends. At the end of the year approximately \$3,280,000 (1970 — \$2,500,000) of consolidated retained earnings were free of restrictions and available for payment of dividends.

4. CAPITAL STOCK

During the year the Company redeemed 149 6% first preferred shares (1970 — 639) at a discount of \$1,016 (1970 — \$1,984) which has been netted against preferred share dividends declared for the year.

The notes receivable from shareholders arose in connection with the Executive Stock Purchase Plan (other than directors) and Select Employees Stock Acquisition Program of the Company. These amounts are due in annual instalments to 1979.

5. OTHER INFORMATION

The eight officers of the Company received \$239,000 remuneration as officers. The three directors received no remuneration as directors and are all officers of the Company.

6. COMMITMENTS

A number of the Company's store locations are held on leases entered into for periods from five to twenty years. Most of these leases are for fixed rentals; some, in addition, contain percentage-of-sales clauses. The minimum annual rentals payable under all such leases currently in force totals \$889,700 and actual rentals in the year amounted to \$1,175,500.

7. SUBSEQUENT EVENT

In March 1971, the Company sold a one-half interest in a property for \$300,000 being fifty percent of the original cost and has entered into a joint venture with the purchaser, the purpose of which is to redevelop this property in the future.

700



**PEOPLES CREDIT JEWELLERS
LIMITED**

INTERIM REPORT

For the half year ended

AUGUST 1, 1970

PEOPLES CREDIT JEWELLERS LIMITED
AND SUBSIDIARY COMPANIES

1970 Half Year Report
(Unaudited)

CONSOLIDATED STATEMENT OF INCOME

Sales	
Deduct:	
Cost of merchandise sold and all other expenses except as below	
Depreciation and amortization	
Interest on long-term debt	
Interest on bank indebtedness	
Income (loss) before provision for income taxes	
Provision for (recovery of) income taxes	
Net income (loss) for the period	

CONSOLIDATED STATEMENT OF SOURCE AND APPLICATION OF FUNDS

Funds were provided from:	
Operations:	
Net income (loss) for the period	
Add: Expenses which do not require an outlay of funds:	
Depreciation and amortization	
Payments on notes due from shareholders	
Issue of Class "A" shares	
Mortgages on purchase of real property and notes issued on acquisition of subsidiary	
Working capital on acquisition of subsidiary	
TOTAL FUNDS PROVIDED	

Funds were applied to:	
Purchase of land and buildings	
Purchase of other fixed assets (net)	
Notes receivable from shareholders	
Investment in subsidiary	
Reduction of long-term debt	
Dividends	
Redemption of first preferred shares	
TOTAL FUNDS APPLIED	
Decrease in working capital	
Working capital — beginning of the period	
Working capital — end of the period	

Twenty-six Weeks Ended Aug. 1, 1970	Twenty-six Weeks Ended Aug. 2, 1969
\$9,867,433	\$9,659,921
9,677,137	8,997,397
178,843	152,995
118,020	111,491
142,974	99,409
10,116,974	9,361,292
(249,541)	298,629
(134,752)	161,260
\$ (114,789)	\$ 137,369

Twenty-six Weeks Ended Aug. 1, 1970	Twenty-six Weeks Ended Aug. 2, 1969
\$ (114,789)	\$ 137,369
178,843	152,995
64,054	290,364
90,250	363
—	934,946
—	630,024
—	350,557
154,304	2,206,254

—	725,000
203,436	114,611
—	795,000
—	675,000
414,792	245,401
172,161	170,697
6,200	56,500
796,589	2,782,209
642,285	575,955
8,918,765	9,195,251
\$8,276,480	\$8,619,296

PEOPLES CREDIT JEWELLERS LIMITED



REPORT TO SHAREHOLDERS

The accompanying interim report for the twenty-six weeks ended August 1, 1970, indicates consolidated sales of \$9,867,000, an increase of \$207,000 over the same period last year. During the Second Quarter however, sales were \$200,000 below those of last year as we were adversely affected in our mail order division and in our direct mail program by the disruption of postal services.

During the first six months, operations resulted in a loss of \$114,789 compared with a profit of \$137,369 last year which is restated on a comparable basis. However, the company normally earns both 60% of its annual sales and more than 80% of its annual profits during the Fall and Christmas season. Management therefore remains optimistic that the results for the last half of the year will offset the decline in earnings reported for the first half of the fiscal year. During the period, working capital declined \$642,000 compared with \$576,000 in 1969.

Since the last Report to Shareholders, ten new stores scheduled for 1970 have had successful openings. Three additional Peoples Credit stores remain to be opened in October. During July, Management completed the sale of six of the jewellery departments operated under licences in the Sentry and Gem department stores in Ontario. In addition, with the opening of the Mappin's store in Saskatoon Midtown Plaza in July, the MacKenzie's store in Saskatoon was closed. Thus with the opening of the remaining new stores, the Company will have 90 retail outlets, a net increase of six stores for the year.

Respectfully submitted on behalf of the Board.

BERTRAND GERSTEIN,
Chairman of the Board

Toronto,
September 23, 1970.